LANCASHIRE HOLDINGS LIMITED

GROWTH IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR DIVIDENDS, OF 0.9% IN Q1 2010
COMBINED RATIO OF 99.1% IN Q1 2010
FULLY CONVERTED BOOK VALUE PER SHARE OF $7.38 AT 31 MARCH 2010

5 May 2010
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its financial results for the three month period ended 31 March 2010.

Financial highlights for the first quarter of 2010:

- Fully converted book value per share of $7.38 at 31 March 2010 compared to $7.41 at 31 December 2009. Return on equity, defined as growth in fully converted book value per share adjusted for dividends, of 0.9% (Q1 2009: 2.9%);

- Gross premiums written of $228.0 million (Q1 2009: $142.8 million). Net premiums written of $203.5 million (Q1 2009: $99.2 million);

- Reported loss ratio of 77.9% (Q1 2009: 53.6%) and combined ratio of 99.1% (Q1 2009: 81.2%). Accident year loss ratio of 86.8% (Q1 2009: 28.9%);

- Net loss from Chile Maule earthquake of $94.5 million after reinstatement premiums versus pre-announced range of $65.0 to $125.0 million.

- Total investment return of 1.2% (Q1 2009: 1.1%). Annualised total investment return of 5.0% (Q1 2009: 4.6%);

- Net profit after tax of $8.2 million (Q1 2009: $40.7 million), or $0.04 diluted earnings per share (Q1 2009: $0.22);

- Final dividend of $20.8 million (Q1 2009: $nil) or $0.10 per common share; and

- Share repurchases of $12.9 million during the period (Q1 2009: $nil).

Richard Brindle, Group Chief Executive Officer, commented:

"It has been a challenging start to 2010. We have witnessed a number of significant industry losses, including losses from the major earthquake in Chile in February, and from severe weather around the world. Despite exposure to these events, we are pleased to report both a respectable combined ratio of 99.1% and return on equity of 0.9% for the quarter. This has been the sixteenth out of seventeen quarters since inception that we have delivered a positive return on equity.

Building out our property catastrophe portfolio in the first quarter was the driving factor behind the 60% increase in our gross premiums written when compared with the same period in 2009. The increase in our property catastrophe class will be balanced by a tactical reduction in risk appetite for other classes in the second quarter and the remainder of the year.

As would be expected given our book of business, Lancashire was impacted by the total loss of the Deepwater Horizon drilling unit in April. Total industry losses may end up well over one billion dollars, making this one of the largest energy claims in recent history. Although Lancashire is one of the major underwriters of deep water Gulf of Mexico energy insurance, our net loss for this event is within normal loss expectations.

We previously expressed our view that rates in most classes Lancashire writes would be at their hardest at the start of the year. Despite the succession of catastrophes in 2010 so far, we remain concerned that the losses have only succeeded in slowing down the general decline in prices across many areas of our portfolio, with the exception of specific parts of the energy sector. If the downward trend in pricing continues, we would expect to write less business during the rest of 2010, maintaining our focus on underwriting discipline."

Neil McConachie, President and Group Chief Financial Officer, commented:

"Since the start of the year, we have continued to repurchase shares both privately and on the public market. Should Lancashire's share price remain attractive for repurchases, we expect to continue our repurchase programme. At the same time, in the run-up to hurricane season, we will monitor opportunities, balancing share repurchases and underwriting exposure to achieve the best possible return on equity. As we have previously stated, should trading conditions remain the same or, as we anticipate, gradually deteriorate, absent a change in our business plan we would expect to return more capital to shareholders than we generate during 2010."

Lancashire Renewal Price Index for Major Classes

Lancashire's Renewal Price Index ("RPI") is an internal tool that management uses to track trends in premium rates on a portfolio of insurance and reinsurance contracts. The RPI is calculated on a per contract basis and reflects Lancashire's assessment of relative change in price, terms, conditions and limits and is weighted by premium volume (see the notes at the end of this announcement for further guidance).

The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2009:

Class	Q1 2010
Aviation (AV52)	91%
Gulf of Mexico Energy	100%
Energy Offshore Worldwide	98%
Marine	100%
Direct & Facultative	94%
Property Reinsurance	97%
Terrorism	93%
Combined	**96%**

Underwriting results

Gross premiums written increased by 59.7% in the first quarter of 2010 compared with the same period in 2009. The Group's four principal classes, and a discussion of the key market factors impacting them, are as follows:

Gross Premiums Written

	Q1 / 3 months to 31 March			
	2010	**2009**	**Change**	**Change**
	$m	**$m**	**$m**	**%**
Property	152.5	76.0	76.5	100.7
Energy	36.9	28.2	8.7	30.9
Marine	31.8	30.2	1.6	5.3
Aviation	6.8	8.4	(1.6)	(19.0)
Total	**228.0**	**142.8**	**85.2**	**59.7**

Property gross premiums written increased by 100.7% for the first quarter compared to the same period in 2009. Price reductions in the first quarter of 2010 were, in general, minor in the property segment. In anticipation of a declining price environment later in the year, and in conjunction with the Group's planned expansion of its property catastrophe reinsurance book, a tactical decision was taken to deploy more of the Group's capital at the January reinsurance renewals than in prior years. A significant amount of new business across property retrocession and catastrophe reinsurance was written, including some large multi-year contracts. Also included in the first quarter of 2010 is approximately $14.5 million of reinstatement premiums in connection with the February Chile Maule earthquake. Within the terrorism line of business, an upturn in construction project investment around the world resulted in new prospects, primarily driven by lender requirements.

Energy gross premiums written increased by 30.9% for the first quarter of 2010 compared to the same period in 2009. In the energy worldwide offshore line, while we have declined to renew some accounts where pricing no longer meets the Group's requirements, there has been increased volume as a result of multi-year renewals and some new business. There have also been some opportunities within the energy construction line, now that projects have re-commenced with the improved oil price and economic outlook. There has been more interest in Gulf of Mexico coverage as the recovery from the financial crisis continues; but it is currently too early to establish whether this interest will generate substantial new business.

Marine gross premiums written increased by 5.3% for the first quarter of 2010 compared to the same period in 2009. Pricing and renewals have been broadly stable. The increase is largely driven by the timing of certain multi-year contract renewals and some contract extensions.

Aviation gross premiums written decreased by 19.0% for the first quarter of 2010 compared to the same period in 2009. The reduction was driven primarily by two factors: reduced flights flown and passengers travelled as a result of the recent recessionary environment; and the deferral of some larger renewals into the second quarter of 2010.

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Outwards reinsurance premiums decreased by $19.1 million (or 43.8%) in the first quarter compared to the same period in 2009. This was driven by improved pricing due to a re-structuring of the Group's risk cover.

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Net premiums earned as a proportion of net premiums written were 84.4% in the first quarter of 2010 compared to 140.3% in the same period in 2009. The significant increase in premium volumes, plus some larger multi-year deals in the first quarter of 2010 as compared to 2009, will result in a comparatively large deferral of earnings to later in 2010 and partially into 2011.

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The Group's net loss ratio for the first quarter was 77.9% compared to 53.6% for the same period in 2009. There was a relatively low level of risk losses reported in the first quarter of 2010. Modest prior year favourable development reduced the net loss ratio by 9.8 points but the Chile Maule earthquake in February 2010 added 63.4 points for the quarter. The table below provides further detail of development by class, excluding the impact of foreign exchange revaluations.

Loss Development by Class

	Q1 2010 $m	**Q1 2009 $m**
Property	11.2	15.4
Energy	1.7	(51.1)
Marine	3.6	1.3
Aviation	0.3	-
Total	**16.8**	**(34.4)**

Note: Positive numbers denote favourable development and negative numbers denote adverse development.

Net prior accident year reserve releases were $16.8 million for the first quarter of 2010 compared to adverse development of $34.4 million for the same period in 2009. Excluding the adverse development on Hurricane Ike in the first quarter of 2009, prior year development was a favourable $5.4 million. The favourable development in 2010 arises primarily from IBNR releases due to fewer reported risk losses than expected. The accident year loss ratio for the first quarter of 2010, including the impact of foreign exchange revaluations, was 86.8% compared to 28.9% for the same period in 2009. The higher ratio in 2010 is due to losses from the Chile Maule earthquake. Excluding the impact of foreign exchange revaluations, during the first quarter of 2010 previous accident years developed as follows:

- 2006 - favourable development of $0.5 million (2009 - $1.3 million);
- 2007 - favourable development of $nil (2009 - $2.9 million);
- 2008 - favourable development of $10.5 million (2009 - $38.6 million adverse); and
- 2009 - favourable development of $5.8 million.

Investments

Net investment income was $13.7 million for the first quarter of 2010, a marginal increase of 1.5% from the first quarter of 2009. The increasing downward pressure on yields kept our investment income consistent with last year, despite the Group's increased allocation to fixed income investments versus cash as compared to the prior year. Total investment return, including net investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was $24.7 million for the first quarter of 2010 compared to $23.5 million for the same period in 2009. While treasury yields fell in January, resulting in significant unrealised gains for the Group, yields rose again throughout the rest of the quarter to produce a net change in unrealised gains and losses of $6.8 million. There were no impairments recorded in the first quarter compared to $0.4 million for the first quarter of 2009.

The Group continues to hold a highly conservative investment portfolio, consistent with its long-held philosophy, with a strong emphasis on preserving capital. The Group invested approximately 4.0% of its managed portfolio in emerging market debt in the first quarter of 2010. The corporate bond allocation, excluding Federal Deposit Insurance Corporation guaranteed bonds, is now 27.6% of managed invested assets. At 31 March 2010, the managed portfolio comprised 91.3% fixed income securities and 8.7% cash and cash equivalents versus the 2009 first quarter allocations of 67.8% fixed income securities and 32.2% cash and cash equivalents. The Group is not currently invested in equities, hedge funds or other alternative investments.

Key investment portfolio statistics as at 31 March are:

	2010	**2009**
Duration	2.3 years	1.4 years
Credit quality	AA	AA+
Book yield	2.9%	2.8%
Market yield	2.1%	1.9%

Other operating expenses

Other operating expenses for the quarter, excluding employee remuneration, are broadly consistent compared to the same period in 2009. Fixed employee compensation costs were 46% of fixed operating expenses in the first quarter of 2010 compared to 45% for the same period in 2009. The variable component of employee compensation costs included a reduction of $6.7 million compared to $2.1 million for the prior year in relation to the final determination of 2009 employee compensation, including deferred stock components.

Equity based compensation was $5.9 million in the first quarter of 2010 compared to $3.0 million in the same period of 2009. Annual restricted stock awards typically vest over two or three years. The increased 2010 expense as compared to 2009 reflects two years' worth of restricted stock awards given the restricted stock program began in 2008. It also includes mark-to-market adjustments plus charges associated with the revaluation of options due to amendments made to their strike price as a result of dividend declarations, as approved by the Group Remuneration Committee in accordance with the rules of Lancashire's option scheme. The charge for strike price amendments was $1.7 million versus $0.2 million for the same period in the prior year.

Capital

At 31 March 2010, total capital was approximately $1.489 billion, comprising shareholders' equity of $1.359 billion and $129.3 million of long-term debt. Leverage was 8.7%. Total capital at 31 March 2009 was $1.446 billion and leverage was 8.9%.

Repurchase program

The Group continues to repurchase its own shares by way of on and off market purchases utilising the $162.2 million remaining to be repurchased at 31 March 2010, under the current approved facilities (the "Repurchase Program"). $12.9 million of shares were repurchased during the first quarter of 2010 compared to $nil in the same period in the prior year.

As previously announced, on 1 April 2010 Lancashire agreed to purchase from Crestview Partners, L.P., Crestview Offshore Holdings (Cayman), L.P., Crestview Holdings (TE), L.P., Crestview Partners ERISA, L.P. and Crestview Partners (PF), L.P for cancellation an aggregate of 4,120,879 issued Common Shares of $0.50 par value per share ("Common Shares") at a price of $7.28 per share, or 479.7 pence per share. The shares were repurchased in an off market transaction at a discount to the market price as at the close of business on 31 March 2010 (based on an exchange rate of £1.0/$1.5175).

The Board proposed, and the shareholders have approved at the Annual General Meeting held on 4 May 2010, a renewal of the Repurchase Program; specifically by authorising Lancashire to make one or more purchases of its issued Common Shares up to an aggregate nominal amount equal to approximately 10% of issued capital with such authority to expire on the conclusion of the 2011 Annual General Meeting or, if earlier, 15 months from 4 May 2010.

Post Q1 2010 Event

Following the total loss of the Deepwater Horizon drilling unit, Lancashire expects to incur a net loss of approximately $25.0 million after reinsurance recoveries. This will be included in the results of the second quarter of 2010.

Dividends

During the first quarter of 2010, the Lancashire Board declared a final dividend for the 2009 financial year of 10.0 cents per common share. The dividend, totaling $20.8 million, was paid on 14 April 2010.

Lancashire will continue to review the appropriate level and composition of capital for the Group with the intention of managing capital to enhance risk-adjusted returns on equity.

Outlook

Lancashire aims to achieve a cross-cycle return of 13% above a risk free rate. This remains unchanged from previous guidance.

Financial information

Further details of our 2010 first quarter results can be obtained from our Financial Supplement. This can be accessed via our website www.lancashiregroup.com.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00pm UK time / 8:00 am EST on Wednesday 5 May 2010. The call will be hosted by Richard Brindle, Chief Executive Officer, Neil McConachie, President and Chief Financial Officer and Alex Maloney, Group Chief Underwriting Officer.

The call can be accessed by dialing +44 (0)20 7138 0843 / +1 212 444 0895 with the passcode 9344201. The call can also be accessed via webcast, please go to our website (www.lancashiregroup.com) to access.

A replay facility will be available for two weeks until Wednesday 19 May 2010. The dial in number for the replay facility is +44 (0)20 7111 1244 / + 1 347 366 9565 and the passcode is 9344201#. The replay facility can also be accessed at www.lancashiregroup.com .

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Investor enquiries and questions can also be directed to info@lancashiregroup.com or by accessing the Group website www.lancashiregroup.com.

About Lancashire

Lancashire, through its UK and Bermuda-based insurance subsidiaries, is a global provider of specialty insurance products. Its insurance subsidiaries carry the Lancashire group rating of A minus (Excellent) from A.M. Best with a stable outlook. Lancashire has capital in excess of $1 billion and its Common Shares trade on the main market of the London Stock Exchange under the ticker symbol LRE. Lancashire is headquartered at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda. The mailing address is Lancashire Holdings Limited, P.O. Box HM 2358, Hamilton HM HX, Bermuda. For more information on Lancashire, visit the Company's website at www.lancashiregroup.com

NOTE REGARDING RPI TOOL

LANCASHIRE'S RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL TOOL THAT ITS MANAGEMENT USES TO TRACK TRENDS IN PREMIUM RATES OF A PORTFOLIO OF INSURANCE AND REINSURANCE CONTRACTS. THE RPI IS CALCULATED ON A PER CONTRACT BASIS AND REFLECTS LANCASHIRE'S ASSESSMENT OF RELATIVE CHANGES IN PRICE, TERMS, CONDITIONS AND LIMITS AND IS WEIGHTED BY PREMIUM VOLUME. THE CALCULATION INVOLVES A DEGREE OF JUDGEMENT IN RELATION TO COMPARABILITY OF CONTRACTS AND THE ASSESSMENT NOTED ABOVE. TO ENHANCE THE RPI TOOL, MANAGEMENT OF LANCASHIRE MAY REVISE THE METHODOLOGY AND ASSUMPTIONS UNDERLYING THE RPI, SO THE TRENDS IN PREMIUM RATES REFLECTED IN THE RPI MAY NOT BE COMPARABLE OVER TIME. CONSIDERATION IS ONLY GIVEN TO RENEWALS OF A COMPARABLE NATURE SO IT DOES NOT REFLECT EVERY CONTRACT IN LANCASHIRE'S PORTFOLIO. THE FUTURE PROFITABILITY OF THE PORTFOLIO OF CONTRACTS WITHIN THE RPI IS DEPENDENT UPON MANY FACTORS BESIDES THE TRENDS IN PREMIUM RATES.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS 'BELIEVES', 'ANTICIPATES', 'PLANS', 'PROJECTS', 'FORECASTS', 'GUIDANCE', 'INTENDS', 'EXPECTS', 'ESTIMATES', 'PREDICTS', 'MAY', 'CAN', 'WILL', 'SEEKS', 'SHOULD', OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THOSE REGARDING THE GROUP'S FINANCIAL POSITION, RESULTS OF OPERATIONS, LIQUIDITY, PROSPECTS, GROWTH, CAPITAL MANAGEMENT PLANS, BUSINESS STRATEGY, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS (INCLUDING DEVELOPMENT PLANS AND OBJECTIVES RELATING TO THE GROUP'S INSURANCE BUSINESS) ARE FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT WE WRITE; THE PREMIUM RATES AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN OUR TARGETED

BUSINESS LINES; THE LOW FREQUENCY OF LARGE EVENTS; UNUSUAL LOSS FREQUENCY; THE IMPACT THAT OUR FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN OUR UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; LOSS OF KEY PERSONNEL; A DECLINE IN OUR OPERATING SUBSIDIARIES' RATING WITH A.M. BEST COMPANY AND/OR OTHER RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; A CYCLICAL DOWNTURN OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT CREATED BY THE FINANCIAL MARKETS; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN OUR INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE LANCASHIRE CONDUCTS BUSINESS; LANCASHIRE OR ITS BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE UNITED KINGDOM; AND THE EFFECTIVENESS OF OUR LOSS LIMITATION METHODS. ANY ESTIMATES RELATING TO LOSS EVENTS INVOLVE THE EXERCISE OF CONSIDERABLE JUDGEMENT AND REFLECT A COMBINATION OF GROUND-UP EVALUATIONS, INFORMATION AVAILABLE TO DATE FROM BROKERS AND INSUREDS, MARKET INTELLIGENCE, INITIAL AND/OR TENTATIVE LOSS REPORTS AND OTHER SOURCES. JUDGEMENTS IN RELATION TO LOSS ARISING FROM NATURAL CATASTROPHE AND MAN MADE EVENTS INVOLVE COMPLEX FACTORS POTENTIALLY CONTRIBUTING TO THESE TYPES OF LOSS, AND WE CAUTION AS TO THE PRELIMINARY NATURE OF THE INFORMATION USED TO PREPARE ANY SUCH ESTIMATES.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE HOLDINGS LIMITED EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS (INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE)) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

consolidated balance sheet
(unaudited)

	march 31, 2010	march 31, 2009
	$m	$m
assets		
cash and cash equivalents	230.6	731.1
accrued interest receivable	14.8	9.3
investments		
- fixed income securities – available for sale	1,949.1	1,464.8
reinsurance assets		
- unearned premiums on premiums ceded	21.8	36.6
- reinsurance recoveries	34.7	53.4
- other receivables	0.7	3.2
deferred acquisition costs	62.8	57.0
inwards premiums receivable from insureds and cedants	227.7	176.3
other assets	39.8	72.1
total assets	2,582.0	2,603.8
liabilities		
insurance contracts		
- loss and loss adjustment expenses	607.5	564.7
- unearned premiums	365.5	326.2
- other payables	15.2	16.2
amounts payable to reinsurers	14.2	21.9
deferred acquisition costs ceded	2.9	2.6
other payables	88.1	226.4
long-term debt	129.3	128.7
total liabilities	1,222.7	1,286.7
shareholders' equity		
share capital	91.2	91.2
own shares	(92.0)	(59.0)
share premium	2.4	2.4
contributed surplus	760.7	758.1
accumulated other comprehensive income	37.2	29.3
other reserves	63.4	57.3
dividends	(20.8)	-
retained earnings	517.2	437.8
total shareholders' equity	1,359.3	1,317.1
total liabilities and shareholders' equity	2,582.0	2,603.8
basic book value per share	$8.08	$7.62
fully converted book value per share	$7.38	$7.09

consolidated income statement
(unaudited)

	quarter 1 2010 $m	quarter 1 2009 $m
gross premiums written	228.0	142.8
outwards reinsurance premiums	(24.5)	(43.6)
net premiums written	203.5	99.2
change in unearned premiums	(47.9)	13.4
change in unearned premiums on premiums ceded	16.2	26.6
net premiums earned	171.8	139.2
net investment income	13.7	13.5
net other investment income (losses)	(0.1)	0.3
net realised gains (losses) and impairments	4.3	8.0
net foreign exchange gains (losses)	(1.7)	(1.6)
total net revenue	188.0	159.4
insurance losses	133.5	89.1
insurance losses recoverable	0.4	(14.5)
net insurance acquisition expenses	26.6	26.0
equity based compensation	5.9	3.0
other operating expenses	9.8	12.4
total expenses	176.2	116.0
profit before tax and finance costs	11.8	43.4
finance costs	(1.7)	(2.4)
profit before tax	10.1	41.0
tax	(1.9)	(0.3)
profit after tax	8.2	40.7
net loss ratio	77.9%	53.6%
net acquisition cost ratio	15.5%	18.7%
administrative expense ratio	5.7%	8.9%
combined ratio	99.1%	81.2%
basic earnings per share	$0.05	$0.24
diluted earnings per share	$0.04	$0.22
change in fully converted book value per share	0.9%	2.9%

consolidated cash flow statement
(unaudited)

	quarter 1 2010 $m	quarter 1 2009 $m
cash flows from operating activities		
profit before tax	10.1	41.0
tax paid	(1.2)	(0.3)
depreciation	0.7	0.2
interest expense	1.3	1.9
interest and dividend income	(16.9)	(16.7)
accretion of fixed income securities	2.3	2.0
equity based compensation	5.9	3.0
foreign exchange losses	1.7	0.8
net other investment (income) losses	-	(0.3)
net realised (gains) losses and impairments	(4.3)	(8.0)
unrealised gain on interest rate swaps	(0.5)	-
changes in operational assets and liabilities		
-insurance and reinsurance contracts	103.1	18.6
-other assets and liabilities	4.6	115.3
net cash flows from operating activities	**106.8**	**157.5**
cash flows used in investing activities		
interest and dividends received	14.1	17.4
purchase of property, plant and equipment	(0.3)	-
purchase of fixed income securities	(596.4)	(1,072.9)
proceeds on maturity and disposal of fixed income securities	548.2	1,216.7
proceeds on disposal of equity securities	-	4.6
net proceeds on other investments	0.6	0.2
net cash flows from (used in) investing activities	**(33.8)**	**166.0**
cash flows used in financing activities		
interest paid	(1.3)	(2.0)
dividends paid	(263.0)	-
shares repurchased	(16.2)	(1.0)
net cash flows used in financing activities	**(280.5)**	**(3.0)**
net (decrease) increase in cash and cash equivalents	**(207.5)**	**320.5**
cash and cash equivalents at beginning of year	440.0	413.6
effect of exchange rate fluctuations on cash and cash equivalents	(1.9)	(3.0)
cash and cash equivalents at end of period	**230.6**	**731.1**